



The Advisor

for our Retired members

A periodic publication of the Massachusetts Teachers' Retirement System as a service to its members

March 2017

Your 2017 Benefit Verification Form and your 2016 1099-R were mailed at the end of January

Two important forms to start the year

Your 2017 Benefit Verification Form

If you were receiving a benefit payment as of December 31, 2016, you were mailed a Benefit Verification form (BVF) at the end of January. It is important that you review your personal information on this form, and make any corrections that may be necessary (such as updating your permanent address). Once you have done this, you must sign the form in the presence of a notary, then return the original form in the provided return envelope.

Please be sure to return the form in a timely fashion. If we do not receive your signed and notarized BVF by the date indicated on the form, your benefit payment may be interrupted or discontinued.

The MTRS is mandated by 840 CMR 15.01 to perform this process once every two years to verify all benefit recipients' continued eligibility to receive payments.

Please review, sign and return your Benefit Verification Form by March 31, 2017

Your 2016 1099-R

Along with your 2017 BVF you received your 2016 1099-R. This document is necessary to complete your federal tax return. It reports your gross distribution from your retirement benefit in 2016, along with any withholdings for health insurance, and federal income tax.

If you have any questions about either the Benefit Verification process, or your 1099-R, please visit mass.gov/mtrs.

For information on how to read your 1099-R, see our website.

Federal tax withholding tables updated for 2017

As it does every year, the IRS recently updated its federal tax withholding tables, effective January 1, 2017. If you have federal tax withheld on your benefit payment based on these tables, you may have seen a change in the net amount of your monthly benefit, beginning with your January payment. For more information, please visit our website at mass.gov/mtrs.



Jeff Wulfson, Chairman

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FROM THE CHAIRMAN

Massachusetts education system recognized for excellence

Thank you, MTRS members, for all of your work—past and present

As you may have heard, *U.S. News & World Report* recently declared Massachusetts the best state in the nation. We are very proud to note that the Commonwealth's outstanding education system was one of the reasons that we were awarded this top honor.

Our achievements demonstrate the excellence of our system. Our high school graduation rate has improved for ten consecutive years. Last year's seniors led the nation on ACT and Advanced Placement tests. Our fourth and eighth graders tied for second place in the recent National Assessment of Educational Progress science exam. On international tests like the Program for International Student Assessment (PISA), our students rank with the best-performing nations in the world. *Education Week*, the paper of record in elementary and secondary education, recently rated our K-12 system as best in the nation—for the third year in a row!

Yes, our schools still have challenges ahead. Declines in population, influxes of English language learners, budgetary pressures, new

technology, and ever-increasing demands from colleges and employers—all of these issues and more occupy our educators on a day-to-day basis. But it's important every once in a while to step back, appreciate our progress, and give thanks to those who make it possible.

To our retired members, who built the foundation for this success, and to our active members, who continue to raise the bar higher and higher, thank you so much for the outstanding work you have done and continue to do. You have made Massachusetts public schools the envy of the nation. All of your colleagues here at the Teachers' Retirement System are grateful for your efforts, and we are pleased that we can support you as you educate the next generation of the Commonwealth's citizens.

Jeff Wulfson, Chairman

Keeping it safe

The security of your personal information is very important

Personal information

Keeping your personal information secure is very important at the MTRS. We adhere to a number of both physical and digital security measures to ensure that your data is not accessed by any unauthorized third party. This includes following industry standards and best practices for the storage and transmittal of member data, keeping paper files under lock-and-key, and following specific steps to verify your identity before any account information is shared.

If you call, we will verify that we are speaking to "you," our member, or someone to whom you have given explicit permission to discuss your account, or your certified power of attorney. We suggest never sending personal information to us through e-mail, as we cannot guarantee that it is a secure means of communication.

Information that is public record

Since our members are public employees, certain information about you is public record, and we are required by law to share this information with any party that requests it. This information includes your name, your membership date, your age (but not your date of birth), whether or not you are a veteran, the school district(s) where you work (or worked if you are inactive or retired), your retirement date, your type of retirement, and the gross amount—including any cost of living adjustments—you receive as a benefit payment.

We do occasionally receive public record requests from financial planning firms or similar organizations. As we are required to share the above information if it is requested, we will respond to these requests accordingly. Our sharing of public record information,

continued on page 4

Changes in actuarial assumptions contribute to slight decline in MTRS funded ratio

Current schedule aims for system to be fully funded in 2036

The most recent actuarial valuation of our retirement system reflected a decrease in the system's funded ratio from 54.3% to 52.8%. The decrease is primarily attributed to the most recent reduction in the system's assumed investment rate of return from 7.75% to 7.5%. This change—which was the third reduction to the investment assumption in the last four years—increased the system's liabilities by nearly \$1.2 billion because the system is projecting a more conservative long-term rate of return on the investment of the system's assets. The previous two changes, combined, added another \$1.9 billion in liabilities. The MTRS Board has supported the more conservative return assumptions in light of the investment rates of return over the last 15-plus years. In addition to the investment rate of return

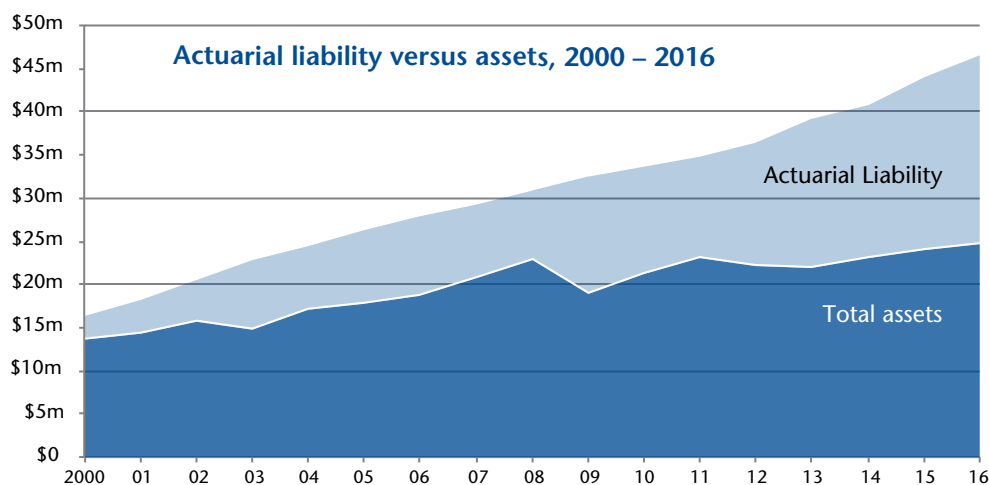
assumptions, the system has also adopted generational mortality assumptions to reflect the increasing life span of our members. The mortality assumption changes over the

last four years have added \$1.75 billion in additional actuarial liabilities to the system.

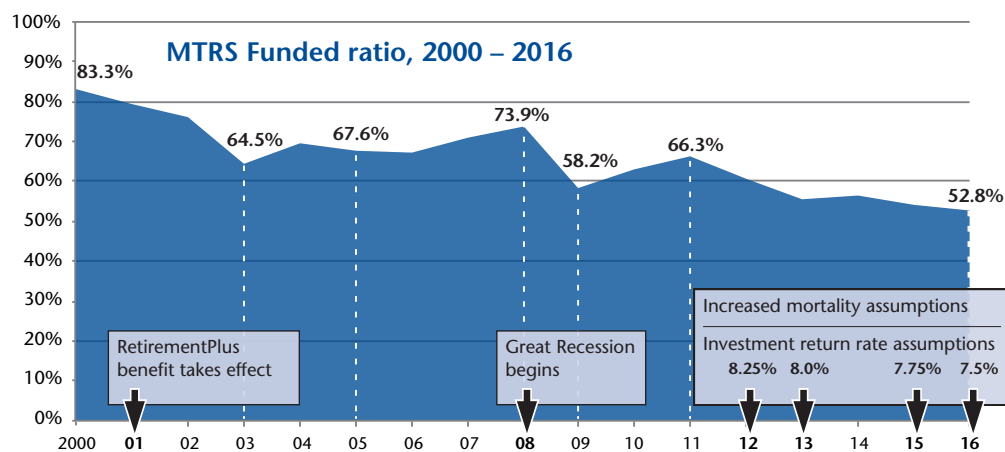
The changes in the assumptions were necessary to reflect the system's experience with increasing life expectancy and actual rates of return on investments. Although we are concerned by the reduction in the system's funded ratio, we are encouraged by the commitments of the Governor and the Legislature to fully fund our system and the State Employees' Retirement System by fiscal year 2036. Governor Baker and Legislative leaders have recently agreed to a new pension funding schedule that will annually increase pension funding by 8.94% until the system is fully funded. The dollar increase for FY2018 will be an additional \$196 million allocated for teacher and state employee pensions, bringing the total FY2018 contribution to \$2.4 billion. The MTRS Board, State Treasurer Deborah Goldberg and the Public Employee Retirement Administration Commission, acting both collectively and independently, requested additional funding for the systems. We are pleased that Governor Baker and Legislative leaders responded favorably to the requests.

We will continue to monitor the fiscal health of the system to ensure the retirement security of all of our members, and when necessary, request additional appropriations and/or changes to the demographic or financial assumptions used in the system's actuarial valuations.

We are encouraged by the commitments of the Governor and the Legislature to fully fund our system and the State Employees' Retirement System by fiscal year 2036.



Over the past 16 years, the MTRS has seen a larger increase in its actuarial liability versus the increase in total assets (above), which has resulted in a decline of the funded ratio (below).





2017 Benefit verification process 1

You must return your completed BVF by
March 31, 2017

Funded ratio update 3

Where the system stands

*Plus a message from our Board chairman—
and more!*

Looking to put your expertise to work?

*Check out our employment and volunteer postings
online!*

As a retired educator, you are highly sought after for volunteer and employment opportunities! Many local organizations contact us seeking retired educators to volunteer their talents and expertise, and we post their positions as a service to our members.



Keeping it safe, continued from page 2

however, should not be taken as an endorsement or promotion of any products or services that may be offered by these organizations; rather it is simply the MTRS fulfilling a legal obligation to furnish the requested information.

Helpful resource

Unfortunately, it is not uncommon for personal information to be stolen or compromised, due to the nature of digital infrastructure. It is very important to know when and where you may be at risk, and, to help everyone protect themselves, the Department of Homeland Security has put together an excellent online resource for fostering cyber security awareness for internet users of any age. For in-depth information on steps you can take to keep your personal information secure in the digital landscape, visit dhs.gov/StopThinkConnect.

